

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SPC-03 STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 L-03 DRC-01

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R 061910Z FEB 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6410

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS UNN

UNCLAS EC BRUSSELS 0783

PASS AGRICULTURE

E.O.11652: N/A

TAGS: EAGR, EEC

SUBJECT: COMMISSION PROPOSALS FOR 1974/75 SUPPORT PRICES -
GRAINS - FURTHER DETAILS AND COMMENTS

REF: EC BRUSSELS 0306

1. SUMMARY: THE COMMISSION PROPOSALS FOR THE 1974/75 GRAIN PRICES
(REFTEL) ALSO CONTAIN PROPOSED MODIFICATIONS OF THE CAP SYSTEM FOR
GRAINS. ONE OF THESE WOULD SIMPLIFY THE SYSTEM THROUGH THE ABOLI-
TION OF THE BASING POINT SYSTEM FOR BARLEY AND THEREFORE TEND TO
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LOWER THE LEVEL OF DOMESTIC SUPPORT. MOREOVER, THE COMMISSION

PROPOSALS WOULD ENTAIL CHANGES IN THE PRICE RELATIONSHIP BETWEEN VARIOUS GRAINS AND A STRENGTHENING OF COMMUNITY PREFERENCE FOR DOMESTIC GRAINS SHOULD IMPORT LEVIES AGAIN BE APPLIED. END SUMMARY.

2. THE COMMISSION'S PRICE PROPOSALS FOR GRAINS (REFTEL) INCLUDE A PROPOSAL FOR ESTABLISHING A SINGLE INTERVENTION PRICE FOR BARELY. SINCE SINGLE INTERVENTION PRICES FOR CORN, RYE, AND DURUM HAVE BEEN ESTABLISHED IN PREVIOUS YEARS, THE CAP BASING POINT SYSTEM FOR GRAINS--I.E., THE SYSTEM OF DIFFERENTIATED INTERVENTION PRICES WITHIN THE COMMUNITY--WOULD NOW APPLY ONLY TO SOFT WHEAT, IF THE COMMISSION'S PROPOSAL WERE ACCEPTED. SINGLE INTERVENTION PRICES FOR GRAINS ARE GENERALLY LOWER THAN THE DIFFERENTIATED INTERVENTION PRICES APPLIED IN THE PAST TO THE MAJOR GRAINS. SINGLE INTERVENTION PRICES LEAD THEREFORE TO A LOWERING IN THE OVERALL LEVEL OF INTERNAL SUPPORT PRICES FOR GRAINS.

3. AN ADDITIONAL FEATURE OF THE COMMISSION GRAIN PROPOSALS IS THE INCREASE IN THE ABSOLUTE DIFFERENCE BETWEEN THE TARGET AND THE INTERVENTION PRICES. DURING THE CURRENT CROP YEAR THE DIFFERENCES BETWEEN THESE TWO PRICES ARE AS FOLLOWS: 9.14 U.A. FOR SOFT WHEAT; 8.63 U.A. FOR BARLEY AND 18.69 U.A. FOR CORN. UNDER THE COMMISSION PROPOSAL THESE DIFFERENCES WOULD RISE TO 11.44 U.A., 13.77 U.A. AND 19.82 U.A. RESPECTIVELY.

4. THE DIFFERENCE BETWEEN TARGET AND INTERVENTION PRICES REFLECTS THE DEGREE OF COMMUNITY PREFERENCE FOR DOMESTIC OVER IMPORTED GRAIN. UNDER PRESENT CONDITIONS WHEN THE IMPORT LEVIES FOR ALL GRAINS ARE ZERO, WIDER MARGINS BETWEEN TARGET AND INTERVENTION PRICES ARE WITHOUT SIGNIFICANCE. HOWEVER, THESE MARGINS WOULD BE RELEVANT, IF WORLD MARKET PRICES FOR GRAINS WERE AGAIN TO FALL BELOW THE COMMUNITY THRESHOLD PRICES AND IF IMPORT LEVIES WERE AGAIN IMPOSED.

5. THE COMMISSION'S GRAIN PRICE PROPOSAL AS REPORTED IN THE REFTEL ENTAILS CHANGES IN THE PRICE RELATIONSHIP OF DIFFERENT GRAINS. THE PURPOSE OF THESE CHANGES IS TO ENCOURAGE FEED GRAIN PRODUCTION, PARTICULARLY CORN WHICH IS IN DEFICIT, AND TO DISCOURAGE SOFT WHEAT PRODUCTION OF WHICH THE COMMUNITY TENDS TO HAVE SURPLUSES. THE UNCLASSIFIED

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PRESENT RELATIONSHIP BETWEEN THE TARGET PRICES OF BARLEY, CORN, AND DURUM AND THE TARGET PRICES OF SOFT WHEAT IS AS FOLLOWS: SOFT WHEAT 100; BARLEY 92; CORN 89; DURUM 117. UNDER THE COMMISSION PROPOSAL THIS RELATIONSHIP WOULD BE CHANGED AS FOLLOWS: SOFT WHEAT 100; BARLEY 93; CORN 93; DURUM 168.

6. THE LARGE INCREASE IN THE TARGET PRICE FOR DURUM REFLECTS THE COMMISSION'S INTENTION TO RAISE THE INCOME OF DURUM PRODUCERS

THROUGH MARKET PRICES RATHER THAN THROUGH SEPARATE DEFICIENCY PAYMENTS. THE PROPOSED TARGET PRICE FOR DURUM IS 196.83 U.A. PER MT AND NOT, REPEAT NOT, 181.87 U.A. PER MT AS INITIALLY ANNOUNCED BY THE COMMISSION. MOREOVER, THE COMMISSION DID NOT, REPEAT NOT, PROPOSE THAT DEFICIENCY PAYMENTS FOR DURUM BE FULLY ABOLISHED, AS ORIGINALLY ANNOUNCED AND REPORTED IN THE REFTEL. THE COMMISSION HAS NOW REVISED ITS PROPOSAL TO THE EFFECT THAT SUCH DEFICIENCY PAYMENTS COULD BE GRANTED IN CASE THE MARKET PRICE FOR DURUM FELL BELOW THE TARGET PRICE. THE PROPOSED INTERVENTION PRICE FOR DURUM IS 167.76 U.A. PER MT.

7. FINALLY, IT SHOULD BE MENTIONED THAT THE COMMISSION WITHIN THE CONTEXT OF ITS 1974/75 GRAIN PRICE PROPOSALS RECOMMENDS THAT THE MARKETING YEAR FOR CORN BEGIN OCTOBER 1 AND NOT, AS AT PRESENT, ON AUGUST 1. THE REASON FOR CHANGING THE BEGINNING OF THE CORN MARKETING YEAR IS TO MAKE BARLEY MORE COMPETITIVE RELATIVE TO CORN IN THE FIRST MONTHS AFTER THE BARLEY HARVEST. GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRICES, GRAINS, PRICE TRENDS, IMPORT QUOTAS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ECBRU00783
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740253/aaaabxfr.tel
Line Count: 133
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: EC BRUSSELS 0306
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 27 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 FEB 2002 by bryansd0>; APPROVED <11 APR 2002 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COMMISSION PROPOSALS FOR 1974/75 SUPPORT PRICES - GRAINS - FURTHER DETAILS AND COMMENTS
TAGS: EAGR, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005